PART 2.12

DEPARTMENT OF TOURISM, CULTURE AND RECREATION

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

Executive Summary

The Marble Mountain Development Corporation (the Corporation) was established in April 1988 to develop the Marble Mountain ski facility into a year-round resort. The Corporation is a 100% Provincially-owned corporation incorporated as a "Non-Profit Development Corporation" under the *Corporations Act* of Newfoundland and Labrador.

The Corporation's office is located in Steady Brook. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Corporation employs 6 management staff (4 full-time and 2 part-time) and approximately 140 staff on a full or part-time basis.

Our review identified issues with: the Corporation's financial position; compensation; tendering of goods and services; travel, cell phones and other issues; and control over capital assets.

Financial Position

For each of the last five years, the Corporation has had an operating deficit before applying the Provincial operating grant. These deficits ranged from $126,587 in 2008 to $563,059 in 2011. To help finance its operations, the Corporation received an annual operating grant of approximately $400,000 from the Province and had an approved line of credit of $2.1 million guaranteed by the Province. At 30 April 2011, the Corporation had drawn down $1.9 million of the maximum $2.1 million line of credit available.

The Corporation's bank indebtedness has resulted in interest expenses and bank charges totalling $164,115 for the three years ended 30 April 2011. In addition to the interest charges related to the Corporation's bank indebtedness, the Corporation paid substantial finance charges related to other items as well. For example, the obligations under capital leases have been in excess of $100,000 for the past number of years resulting in interest costs of $75,484 for the three years ended 30 April 2011. In 2010-11, the Corporation financed the purchase of two snowmobiles costing $22,469, with interest costs of $10,236 over a three-year period. In addition, for the year ended 30 April 2011, the Corporation paid $4,200 to finance payment of its $100,000 insurance premiums and was re-assessed $27,000 for failing to remit all of its Health and Post Secondary Tax to the Province for the period 2005 to 2009. As of April 2011, this amount totalled $47,000 due to accumulated interest and penalties of $20,000.

The Corporation's ski lift operations incurred a deficit in each the last three years, with a total deficit over the three years of $1,359,224. A major expense related to the ski lift and other outside operations has been a contract for the management of these services. Our review of this contract identified the following:

- The management contract was first awarded in September 2000, for a five-year period, based on a request for expressions of interest. Since the contract expired in 2005, it was replaced with a new three-year contract and then subsequently renewed for three two-year periods which will expire in September 2014. From September 2005 to October 2011, $658,600 has been paid in management contract fees without any further request for proposals or public tender. As a result, the Corporation could not demonstrate whether this continues to be the most economical means of providing this service.

- No weekly invoices were submitted as required by the contract. The contract provides for weekly payments to the contractor based on a minimum of 16 weeks. In May 2005, the Board Chairperson stipulated that normal winter operations required operation management services for 32 weeks. However, for each of the last six years, the contractor was paid in excess of normal winter operations; in 2010-11 for 40 weeks and in 2009-10 for 39 weeks.

- In addition to the base contract fee, from May 2010 to October 2011 the Corporation also paid other expenses of the contractor including vehicle repairs ($2,808), cell phone charges ($2,481), automobile insurance ($856), vehicle rental ($7,232), ATV rental ($3,164), snow gun rental ($5,650), flood lights (12) purchased ($3,390) and excavator rental ($3,390). These expenses were not covered by the contract and there was no assessment to determine whether the Corporation was getting the best value for the funds being spent.

- From May 2010 to October 2011, the Corporation contravened the *Public Tender Act* when it paid two companies related to the contractor a total of $36,829 for excavation and other maintenance services without any request for quotes or a call for a public tender as required under the *Public Tender Act*. As well, for the fiscal years ended 30 April 2006 and 2007, the Corporation rented a tube park lift from another company owned by the same contractor at a cost of $40,000 plus HST, again without a call for a public tender.

In each of these cases, there were no tenders, quotes obtained or other means to demonstrate that a fair and reasonable price was obtained for these services.

- The contract states that the main employee of the contractor named in the contract "*… shall perform the services outlined in the Management Contract as amended herein and (*Name) *does hereby covenant and agree to do all things necessary to cause the Contractor to comply with the provisions."* However, for the period 26 April 2010 to 1 May 2010, the Corporation paid the contractor the weekly rate of $3,164 including HST, although documentation indicated that the main employee and owner of the contracted company was on vacation and did not perform the services as required under the contract.

The Corporation purchases diesel fuel for its three snow groomers in bulk; however, it did not monitor usage of this fuel. As a result, the Corporation could not determine if the fuel was being used by vehicles other than the snow groomers. Diesel fuel cost a total of $51,000 for the fiscal year ended 30 April 2011. In addition, costs to operate Corporation vehicles such as snowmobiles and all-terrain vehicles were not recorded and monitored separately for each vehicle.

In 1999, the Corporation constructed 31 condominiums at a cost of $3.1 million. Initially these condominiums were marketed for sale; however, no units were sold and the units were rented, beginning in July 2000. Although overall, the condominiums were profitable in each of the last five years, the occupancy rate for the condominiums ranged from just 17% in 2007 to 25% in 2009.

Compensation Practices

For the year ended 30 April 2011, the Corporation incurred a total cost of approximately $1,090,000 for salary and employee benefits related to its 6 management staff (4 full-time and 2 seasonal) and approximately 140 other full or part-time staff. Our review of the Corporation's Compensation Policies identified the following:

- The Corporation paid severance amounts to resigning employees during the period of our review; however, we found that the basis for severance was inconsistent and in some cases the amount paid was either calculated incorrectly or there was no requirement for the Corporation to make the payment. In addition, although in November 2007, the Board directed that a severance policy be developed, no policy was in place at the time of our review. It was noted that the amounts paid were inconsistent with Government's severance policy.

- Leave was not adequately monitored and controlled. As well, our review identified errors in the recording of leave and also in the payment of leave balances on retirement or resignation.

- The Corporation pays an amount to the employees for contribution to an RRSP; however, the amount paid was not always calculated correctly.

- A total of $1,135 was paid to four management employees for statutory holidays to which they were not entitled. The four employees had not worked the 20 days prior to the holiday as required by Corporation policy.

- In three instances, vacation pay was not calculated correctly resulting in underpayments, and in one instance, salary was not calculated correctly resulting in an overpayment.

- There was no “Certificate of Conduct” found in personnel files for seven of the eight management staff reviewed, and only one of the four employees working at the Children’s Centre provided the required “Certificate of Conduct”.

Tendering of Goods and Services

Our review identified that six purchases totalling $119,295 were not tendered as required by the *Public Tender Act*. These included two snowmobiles costing $32,705 and ski rental equipment costing $15,491.

In addition, one sole source purchase for a touch screen costing $18,744 did not have the required Form B completed. Therefore, the Government Purchasing Agency was not notified as required and consequently the House of Assembly was not informed of this instance.

Our review identified 14 other purchases totalling $65,906 where the Corporation did not obtain the required three quotes or provide other documentation to demonstrate that a fair and reasonable price was obtained.

We also found that 9 of the 34 purchases reviewed did not have receiving reports or an indication on the invoices or purchase orders that goods or services were received. Furthermore, 17 of the 34 purchases did not have a purchase order issued. Approvals were not evidenced for 16 of the 17 purchase orders that were issued.

Travel, Cell Phones and Other Issues

Travel

Our review of travel policies, corporate credit card statements and travel claims identified the following:

- Claims submitted and paid were not always supported by official receipts and amounts claimed were not consistent with Government rates.

- The Corporation did not use journey authorizations or other forms of approval for travel outside the Province.

- Instances were noted where travel expenses were charged directly to a Corporation credit card with no travel claims or other support for why the expenses were incurred.

- The Corporation reimbursed staff for ineligible expenses, including instances where hotel charges were claimed and paid twice, and meals claimed and paid for travel within the headquarters area.

- Although the Corporation paid $21,900 for relocation expenses for a new management employee, there was no return of service agreement signed which would be typical of Government relocation situations.

Cell phones

Our review identified that the Corporation did not adequately monitor the usage and costs of cell phones. For example; there was no documentation that cell phone invoices were reviewed monthly by those to whom a phone was issued. In addition, the Corporation had not analyzed its cell phone services to determine if cell phones were being properly utilized. Our review of 4 of 14 cell phones identified instances where cell phone plans were either exceeded or not warranted, or usage was not appropriate.

Other issues

Our review identified a number of other issues as follows:

- The Corporation spent $1,200 on a staff function in April 2011; however, there was no Board approval for the expenditure.

- The Board minutes were not signed as approved and the terms of appointment for eight Board members had expired. These members continued to serve on the Board without the required approval of the Lieutenant-Governor in Council to extend their terms.

Control over Capital Assets

The Corporation had not documented all of its procedures for the control of capital assets, including proper recognition for financial statement purposes, safeguarding, and write-downs.

The Corporation did not maintain an accurate and up-to-date capital asset ledger. There were still assets listed that were no longer in use at the Corporation but were still recorded as assets on the financial statements. For example, disposed of snowmobiles costing $31,448 and obsolete/damaged ski rental equipment dating back to 2002 were not removed from the listing of capital assets. As well, the Corporation had recorded a tube park lift costing $9,582 that it did not own.

There was no physical examination of capital asset items within the base lodge buildings since May 2009 to verify the existence of all furniture, equipment and computers.

Background

Overview

The Marble Mountain Development Corporation (the Corporation) was established in April 1988 to develop the Marble Mountain ski facility into a year-round resort. The mandate of the Corporation is to develop the facility into a four-season anchor attraction to serve as a catalyst for tourism development both locally and in the Province.

The Corporation is a 100% Provincially-owned corporation incorporated as a "Non-Profit Development Corporation" under the *Corporations Act* of Newfoundland and Labrador. The Corporation's office is located in Steady Brook. Its affairs are managed by a Board of Directors (the Board) appointed by the Lieutenant-Governor in Council. The Corporation employs 6 managers (4 full-time and 2 seasonal) and approximately 140 staff on a full or part-time basis. Figure 1 shows the base lodge and head office of the Corporation.

Figure 1

Marble Mountain Development Corporation
Marble Mountain Base Lodge

Source: Marble Mountain Development Corporation

In 1995, the base lodge was constructed and a detachable high-speed chair lift was installed. In 1999, Marble Villa, the resort's condominium-style hotel was opened.

Financial Position

Figure 2 shows the financial position of the Corporation for years ended 30 April 2009 to 2011. As of 30 April 2011, the Corporation reported a bank indebtedness of $1.9 million and an accumulated operating deficit of $15.9 million.

Figure 2

Marble Mountain Development Corporation
Financial Position
As at 30 April

	2009	2010	2011
Cash	$ 7,139	$ 6,636	$ 7,140
Accounts receivable	92,217	95,116	68,828
Inventory	48,220	38,899	57,617
Prepaid expenses	79,779	40,598	18,754
Capital assets	17,466,031	16,477,697	15,708,338
Deferred charges	24,497	-	14,506
Total Assets	**$ 17,717,883**	**$ 16,658,946**	**$ 15,875,183**
Bank indebtedness	$ 1,890,789	$ 1,269,879	$ 1,889,203
Accounts payable/accrued liabilities	354,584	215,654	631,388
Obligations under lease (current)	143,300	100,621	74,431
Deferred revenue	13,000	22,741	21,630
Deferred grant	-	800,000	-
Long-term debt (current)	13,967	13,967	-
Long-term debt	286,033	286,033	300,000
Obligations under capital lease	273,426	181,531	127,926
Deferred government assistance	5,791,833	5,498,056	5,595,903
Contributed surplus	22,730,703	23,130,703	23,130,703
Deficit	(13,779,752)	(14,860,239)	(15,896,001)
Total Liabilities and Equity	**$ 17,717,883**	**$ 16,658,946**	**$ 15,875,183**

Source: Audited Financial Statements

Operating Results

Figure 3 shows the annual operating results for the years ended 30 April 2009 to 2011. For each of the last two years, the Corporation received operating grants of approximately $400,000 from the Province and incurred operating deficits of $146,028 and $163,059.

Figure 3

Marble Mountain Development Corporation
Revenue and Expenditures
For the Years Ending 30 April

	2009	**2010**	**2011**
Income (loss) from operating			
Lift operations	$ (322,571)	$(522,489)	$(514,164)
Rental & repair shop	165,161	157,849	141,740
Cafeteria	60,204	7,147	9,271
Bar	73,583	25,647	41,276
Ski school	28,679	(1,441)	13,879
Events	41,735	83,533	42,803
Marketing	(127,408)	(65,448)	(82,178)
Marble Villa	192,253	131,057	135,437
Operating grant	400,000	401,247	400,000
Interest income	712	-	-
	512,348	**217,102**	**188,064**
Expenses			
Administration	12,809	18,612	18,110
Advertising	578	2,285	2,672
Bad debts	2,732	-	6,390
Board & committee meetings	3,627	1,273	5,117
Communications	7,288	11,187	11,311
Directors fees	3,940	5,715	5,480
Interest & bank charges	54,383	34,324	75,404
Interest on capital leases	25,979	28,181	21,324
Labor services	184,306	244,049	186,030
Miscellaneous	1,358	1,384	1,381
Professional fees	7,981	9,188	7,000
Travel & conference	7,855	6,932	10,904
	312,836	363,130	351,123
Surplus/(Deficit)	**$ 199,512**	**$(146,028)**	**$ (163,059)**

Source: Audited Financial Statements

Audit Objectives and Scope

Audit objectives

The objectives of our review were to assess whether:

- the financial position and operations were adequately monitored;
- compensation was in accordance with Corporation policy;
- purchases of goods and services complied with the *Public Tender Act* and *Regulations*;
- expenditures were monitored; and
- capital assets were properly monitored and controlled.

Audit scope

Our review was completed in December 2011 and covered the period 1 May 2010 to 31 October 2011. Our review included the examination of the Corporation's financial information and file documentation, as well as interviews with staff.

Detailed Observations

This report provides detailed audit findings and recommendations in the following sections:

1. Financial Position
2. Compensation
3. Tendering of Goods and Services
4. Monitoring of Expenditures
5. Buildings, Furniture and Equipment

1. Financial Position

Overview

For each of the last five years, the Corporation had an operating deficit ranging from $126,587 in 2008 to $563,059 in 2011 before applying the Provincial operating grant. To help finance its operations, the Corporation received an annual operating grant of approximately $400,000 from the Province and had an approved line of credit of $2.1 million guaranteed by the Province. At 30 April 2011, the Corporation had drawn down $1.9 million of the maximum $2.1 million available on the line of credit.

Our review of the Corporation's financial information identified issues in the following areas:

A. Bank Indebtedness
B. Lift Operations
C. Condominiums

1A. Bank Indebtedness

Introduction

The Corporation's approved line of credit has increased from $300,000 in 1999 to $2.1 million as at 30 April 2011. The line of credit is guaranteed by the Province and as at 30 April 2011 had an outstanding balance of $1.9 million. The Corporation's bank indebtedness has been above $1.7 million since 30 April 2006 except for the year ending 30 April 2010. During the fiscal year 2010, payments of $620,000 were made to reduce the bank indebtedness as a result of receiving an advance payment on the next fiscal year's operating and capital grants totalling $800,000.

Increasing finance charges

As a result of the Corporation's annual operating deficits, it has financed its operation through its line of credit and other sources resulting in additional finance charges as follows:

- The Corporation's bank indebtedness resulted in interest expenses and bank charges totalling $164,115 for the three years ended 30 April 2011 as follows: 2009 - $54,387; 2010 - $34,324; and 2011 - $75,404.

- In addition to the interest charges related to the Corporation's bank indebtedness, the Corporation paid substantial finance charges related to other items such as insurance, corporate credit cards and supplier invoices. For example: for the year ended 30 April 2011 the Corporation paid $4,200 to finance payment of its $100,000 insurance premiums.

- The Corporation continues to lease capital items instead of purchasing because of insufficient cash flow. The obligations under capital leases have been in excess of $100,000 for the past number of years resulting in interest costs of $75,484 for the three years ended 30 April 2011. For the year ended 30 April 2011, the Corporation financed the purchase of two snowmobiles costing $22,469 and will pay interest costs of $10,236 over the three-year financing contract.

- In November 2010, the Corporation was reassessed $27,000 for failure to remit the proper Health and Post Secondary Tax covering the period 2005 to 2009 to the Province. As of April 2011, this amount totalled $47,000 due to accumulated interest and penalties of $20,000.

1B. Lift Operations

Lift operations deficit

The main contributor to the Corporation's annual deficit has been its ski lift operations. This is the Corporation's main line of business and the revenues in this area are dependent on the number of skier visits. The ski lift operations incurred a deficit in each the last three years, with a total deficit over the three years of $1,359,224. Figure 4 shows information on the operations of the ski lift.

Figure 4

Marble Mountain Development Corporation
Lift operations
For the years ending 30 April

	2007	2008	2009	2010	2011
Revenue					
Lift tickets	$ 599,244	$ 703,024	$ 571,076	$ 524,662	$ 524,524
Season passes	377,089	525,500	581,611	560,428	488,047
Other	33,848	32,612	31,452	13,688	12,232
Total	1,010,181	1,261,136	1,184,139	1,098,778	1,024,803
Expenses					
Labour	369,789	420,610	395,499	363,539	406,873
Management contract	100,803	103,575	92,400	109,564	112,000
Snowmaking	208,080	197,327	191,950	274,207	201,244
Vehicle operations	91,420	137,402	106,023	103,976	132,540
Repairs and maintenance	256,077	258,214	214,658	262,410	184,902
Electricity	108,818	119,998	123,120	129,299	144,045
Insurance	123,455	118,879	117,330	98,542	116,191
Other	261,580	237,319	265,730	279,730	241,172
Total	1,520,022	1,593,324	1,506,710	1,621,267	1,538,967
Deficit	**$ (509,841)**	**$ (332,188)**	**$ (322,571)**	**$ (522,489)**	**$ (514,164)**
Season passes	2,119	2,702	2,855	2,746	2,183
Lift tickets	30,946	33,124	25,695	22,406	22,700
Skier visits	79,683	95,270	91,360	85,564	72,551

Source: Audited financial statements and Corporation annual reports

Outside services contract

Our review of lift operations identified that the management of the lift operations, snowmaking, maintenance and other outside services had been contracted to an external company. Our review of this contract and related expenses identified the following:

- The management contract was first awarded in September 2000, for a five-year period, based on a request for expressions of interest. Since the contract expired in 2005, it was replaced with a new three-year contract and then subsequently renewed for three two-year periods which will expire in September 2014. The Corporation paid $658,600 ($650,200 in operating and $8,400 in capital expenditures) in management contract fees between September 2005 to October 2011 without any further request for proposals or public tender and, as a result, the Corporation could not demonstrate whether this continues to be the most economical means of providing this service.

- No weekly invoices were submitted as required by the contract. The contract provides for weekly payments to the contractor based on a minimum of 16 weeks. In May 2005, the Board Chairperson stipulated that normal winter operations required management services for 32 weeks. However, for each of the last six years, the contractor was paid in excess of normal winter operations; in 2010-11 for 40 weeks and in 2009-10 for 39 weeks.

- In addition to the base contract fee, from May 2010 to October 2011 the Corporation also paid other expenses of the contractor including vehicle repairs ($2,808), cell phone bills ($2,481), automobile insurance ($856), vehicle rental ($7,232), ATV rental ($3,164), snow gun rental ($5,650), flood lights (12) purchased ($3,390) and excavator rental ($3,390). These expenses were not covered by the contract and there was no assessment to determine whether the Corporation was getting the best value for the funds being spent.

- From May 2010 to October 2011, the Corporation contravened the *Public Tender Act* when it paid two companies related to the contractor a total of $36,829 for excavation and other maintenance services without any request for quotes or a call for a public tender.

  Also for the fiscal years ended 30 April 2006 and 2007, the Corporation rented a tube park lift from another company owned by the same contractor at a cost of $40,000 plus HST without requesting a public tender.

  In each of these cases, there were no tenders, quotes obtained or other means to demonstrate that a fair and reasonable price was obtained for these services.

- The contract states that the main employee of the contractor named in the contract "*… shall perform the services outlined in the Management Contract as amended herein and (*Name) *does hereby covenant and agree to do all things necessary to cause the Contractor to comply with the provisions.*" However, for the period 26 April 2010 to 1 May 2010, the Corporation paid the contractor the weekly rate of $3,164 including HST although documentation indicated that the main employee and owner of the contracted company was on vacation in the United States and did not perform the services as required under the contract.

Use of fuel not monitored

The Corporation purchases diesel fuel for its three snow groomers in bulk; however, it did not monitor usage of this fuel. As a result, the Corporation could not determine if the fuel was being used by vehicles other than the snow groomers. Diesel fuel cost the Corporation $51,000 for the fiscal year ended 30 April 2011.

In addition, the Corporation did not have a separate General Ledger account to monitor the costs for each of its vehicles. For example, for the fiscal year ended 30 April 2011, approximately $4,350 was spent for fuel for two snowmobiles and one all-terrain vehicle and charged to an account with one vendor. However, no accounts were maintained on gas usage for each vehicle and equipment (snowmobiles, all-terrain vehicle, generator, snow-blower) or other items purchased such as propane, batteries and windshield wash. In one instance, in December 2010, $50 in fuel was purchased for a pick-up truck; however, the Corporation did not own a pick-up truck.

1C. Condominiums

In 1999, the Corporation constructed 31 condominiums at a cost of $3.1 million. Initially these condominiums were marketed for sale; however, no units were sold and the units were rented, beginning in July 2000. Figure 5 shows the operating results for the condominiums.

Figure 5

Marble Mountain Development Corporation
Condominiums
For the Years Ending 30 April

	2007	2008	2009	2010	2011
Revenue	$259,713	$286,465	$367,115	$287,290	$296,678
Expenses	124,012	137,134	174,862	156,233	161,241
Net Profit	**$135,701**	**$149,331**	**$192,253**	**$131,057**	**$135,437**
Total rooms available	10,585	10,614	10,585	10,527	10,585
Rented rooms	1,850	2,064	2,663	1,818	2,046
Occupancy Rate	**17%**	**19%**	**25%**	**17%**	**19%**

Although the condominiums showed a profit in each of the last five years, there is potential for a greater contribution given that the occupancy rate for the condominiums ranged from just 17% in 2007 to 25% in 2009.

Since September 2009, the Corporation has provided the condominium managers-on-duty free accommodations instead of paying a salary for the position. These two employees share duties such as handling after-hour check-ins, reservations, walk-in inquires, guests' needs and security duties from 4:30 pm to 8:30 am every day. Although Corporation officials indicated that this saves the Corporation money, the Corporation is not recording the taxable benefits on the employees' T-4s correctly.

The Canada Revenue Agency requires that these types of benefits be recorded on an employees' T-4 at the fair market value of the benefit. However, in 2009 and 2010, the Corporation valued the benefit at $175 per month while discussion with staff determined the benefit for 2011 would be $300 per month. The $300 or $175 per month rate would be expected to be well below the fair market value for furnished lodging including utilities, cable, telephone and internet.

Recommendations

The Corporation should:

- *review its financial operations to determine if more economical means are available for the provision of services*;
- *review the outside services management contract and related payments;*
- *monitor fuel usage; and*
- *ensure all employee benefits are recorded on employees' T-4s.*

2. Compensation

Overview

For the year ended 30 April 2011, the Corporation employed 6 managers (4 full-time and 2 seasonal) and approximately 140 full or part-time staff at a total cost of approximately $1,090,000 for salary and employee benefits. This compensation consisted of salaries to management staff, wages in accordance with union agreements, gratuities, and commissions. Our review identified the following issues:

Policy and procedures not adequate

Our review of policies and procedures identified the following:

- In September 2003, the Board approved the payment of a 20% commission to the marketing coordinator for advertising sold in the form of signage on the mountain. For the year ended 30 April 2011, $4,940 was paid in commissions; however, 41% of this amount related to advertising in brochures. The policy had not been changed to reflect this form of advertising and there were no other documented procedures on what was to be included in the calculation of this commission.

- One union employee was paid a tool allowance through petty cash; however, this was not required as part of the collective agreement and there was no documented policy or approval from the Board. For the fiscal year ended 30 April 2011, the employee was paid $2,650 based on weekly invoices submitted by the employee (rates ranged from $40 to $100 per week). For the period May 2011 to October 2011, the employee was paid $300. In addition, these payments were not included on the employee's T-4 as a taxable benefit as required by the Canada Revenue Agency.

Severance not consistent with Government policy

Government's policy provides for the payment of severance to employees that have a minimum of nine years of continuous service, and leave its employment after that time. Our review of the Corporation's severance payments and policy identified the following issues:

- In November 2007, the Board directed that a severance policy be developed; however, no policy was developed. Severance was approved by the Board on an individual basis.

- In November 2007, the Board approved a payment of two months' (8.5 weeks) salary totalling $8,117 for severance to a former management employee who resigned as of 28 December 2007. This payment was not consistent with Government policy as the employee had over eighteen years of continuous service and, therefore, would have been paid 18 weeks salary or approximately $17,190.

- In April 2010, the Board approved a payment of three months' salary (13 wks) totalling $20,273 for severance to a former management employee. Although the employee resigned as of 30 April 2010, the severance was calculated based on a salary increase of 3.1% that was not effective until 1 May 2010. As a result, the former employee was overpaid $610. In addition, the $20,273 severance payment was not recorded on the former employee's T-4 as income as required by the Canada Revenue Agency.

- In July 2010, a former management employee was paid severance totalling $3,389 based on payment of three weeks' salary. This payment was not consistent with Government policy as the employee did not have nine years of continuous service but had been employed for less than three years (17 December 2007 to 30 July 2010). Furthermore, the payment was not approved by the Board but by the Chairperson who was also acting as the Corporation's General Manager at the time.

- In April 2011, a former management employee was terminated as indicated by senior staff and paid $3,337 for 18 days as pay in lieu of notice. Although Government policy allows for the payment in lieu of notice, this employee had only worked for 3.5 months (27 December 2010 to 12 April 2011) and was still within the six-month probation period as stated in the letter of hire. The letter indicated that the Corporation may terminate employment without notice or pay in lieu of notice and without cause. As a result, there was no requirement for the Corporation to pay in lieu of notice. Furthermore, there was no approval by the Board for the payment in lieu of notice.

Leave not recorded

The Corporation has a leave policy which provides leave to the Corporation's four full-time management positions while all part-time staff were paid vacation pay on their weekly pay cheques. Leave taken is to be monitored and recorded by updating an electronic spreadsheet for each eligible employee based on approved leave forms. Leave forms were required to be submitted after the leave period and were to be approved by the Corporation's General Manager. Our review of leave identified the following issues:

- Leave forms were not always completed and the spreadsheet was not updated. For example, leave forms were not completed and approved for the year ended 30 April 2011 and up to October 2011 and the electronic spreadsheet had not been updated since June 2010.

- The Corporation's policy requires the General Manager to approve all leave; however, there was no requirement to have the General Manager's leave approved by the Board or Board Chairperson.

- Personnel files did not have any support for other types of leave such as sick leave, bereavement leave, and family leave for the period May 2010 to October 2011.

- Employees were not notified annually of leave entitlement and usage.

- Leave balances were calculated incorrectly. For example:

    - One management employee's leave balance as of October 2011 was overstated by 5 days due to a lack of documentation and monitoring in 2011.

    - One management employee's leave balance as of October 2011 was overstated by 6 days for a number of reasons including a proration error made during a leave increment in 2008 and a lack of documentation and monitoring in 2010 and 2011.

    - One management employee's leave balance as of October 2011 was understated by 3.75 days because of a proration error made during hiring in October 2010.

Leave payments not calculated correctly

When an employee resigns or the position with the Corporation is terminated, employees are entitled to be paid for any unused annual leave based on the rate of pay at the time they resign or are terminated. Our review identified the following overpayments:

- On 28 December 2007, a management employee retired and was paid 15.75 days for accrued leave. However, our review identified that the employee should not have been paid for any days as all leave had been used. In addition, the employee accrued 30 days and took 29 days for the period 1 May 2007 to 30 April 2008 but should have accrued and taken only 20 days as they retired on 28 December 2007. As a result, this employee was overpaid 24.75 days totalling $4,636.

- In April 2010, a former management employee was paid $10,604 for 34 days of unused leave. However, the amount included an accrual of 25 days ($7,797) related to the next fiscal year and was based on a pay increase of 3.1% ($84) effective 1 May 2010. As a result, the former employee was overpaid $7,781.

- In July 2010, a former management employee was paid $2,655 for 16.5 days of unused leave. However, the calculation was based on an error made in prorating the leave when the employee was first hired in December 2007. As a result, the employee was overpaid $322 for two days of leave. Furthermore, this payment was not included on the employee's T-4 as income as required by the Canada Revenue Agency.

- From August 2011 to October 2011, a management employee was paid 28.75 days, however only 15 leave days were deducted from the leave balance, and as a result, as of October 2011 the leave record was overstated by 13.75 days. In addition, the Corporation's policy requires that a written notice be provided to the General Manager for approval for the payment of leave; however, there was no documentation to support the approval.

RRSP overpayments/ underpayments

Corporation employees are not members of a pension plan; however, as part of the compensation policy for full-time management employees, the Corporation pays an amount to the employee for contribution to a registered retirement savings plan (RRSP). For the period 23 January 2008 to 14 July 2010, this amount was 3% of an employees' annual salary. On 15 July 2010, the Board approved 5% of one management employee's annual salary effective 18 October 2010. Our review identified the following payment issues:

- The RRSP amount was calculated based on amounts that were not part of the employees' stated salary such as gratuities, commissions and leave payouts. For example, one management employee was overpaid $96 for the year ended 31 December 2010 because the RRSP calculation was based on an amount that included gratuities. Another management employee was overpaid $189 for the year ended 31 December 2010 because the RRSP calculation was based on an amount that included commissions.

- In two instances, the last pay period for employees who had resigned was not included in the calculation for the Corporation's matching contribution. One former management employee was underpaid RRSP deductions totalling $409 in April 2010 and another former management employee was underpaid RRSP deductions totalling $68 in July 2010.

- A former management employee was not paid for RRSP deductions totalling $417 by the Corporation upon termination on 12 April 2011.

Overpaid statutory holidays

Corporation policy states that an employee must be on the Corporation's payroll for 20 or more days to qualify for payment of statutory holidays. We identified four management employees who were paid for statutory holidays totalling $1,135 who did not work 20 days before the holiday as follows: two management employees totalling $548 for two days in 2011 and two former management employees totalling $587 for three days in 2010 and 2011.

Employee overtime not adequately monitored

Union employees are paid overtime based on their collective agreement and the *Labor Standards Act.* Union employees are paid time and half for hours above their 54 weekly hours and overtime on 14 hours based on minimum wage. The payroll data system used at the Corporation is inadequate to record overtime separately from regular hours. As per discussion with Corporation staff, the payroll data system did not record overtime on the record of employment; therefore, overtime hours were recorded with regular hours.

Although weekly time cards for overtime were approved after the overtime was worked, there was no documented pre-approval for overtime hours to be worked. In addition, staff at the Corporation could not readily determine the total amount of overtime paid during any fiscal year or which union employees were receiving overtime. This information could only be obtained after manually reviewing each time card per week for each union employee and recording the information into a spreadsheet.

Vacation pay not calculated correctly

Union employees are paid vacation pay weekly based on the collective agreement. The agreement requires payment of 4% for less than 10 years of service: 5% for greater than 10 years of service and less than 15 years; and 6% for greater than 15 years of service. Our review identified errors in the calculations of the vacation increments because the payroll database was not designed to flag these changes. For example: one employee's vacation pay should have been calculated at 5% effective May 2010 but the employee was only paid 4% up to October 2011. Another employee's vacation pay should have been calculated at 5% effective December 2009 but the employee was paid 4% up to April 2010, and a third employee's vacation pay should have been calculated at 6% effective January 2010 but the employee was paid 5% up to April 2010.

Salary overpayment

A former management employee was hired in October 2010 and worked for three weeks. During this time, the employee was paid $461 above the approved salary.

Ineligible for leave

One management employee travelled on personal business 11 days before attending a conference in British Columbia in April 2011. This seasonal employee was paid 4% vacation on each pay cheque and therefore was not eligible for leave. However, we identified that the employee's salary was not reduced for the period of leave. Corporation staff indicated the time was made up after the employee returned; however, there was not adequate documentation to support this.

Certificate of conducts not provided

The management staff are required as a condition of their employment to provide a satisfactory "Certificate of Conduct". We identified that there was no "Certificate of Conduct" found in seven of the eight personnel files for current and former management employees that we reviewed. In addition, the employees who work at the Children's Centre on site are required to provide a satisfactory "Certificate of Conduct", but only one was provided by the full-time employee. A "Certificate of Conduct" for the three part-time employees was not provided.

Recommendations

The Corporation should:

- *develop detailed policies related to the payment of commissions and allowances;*
- *review severance to determine whether the Corporation should comply with Government policy;*
- *establish procedures for the recording, review and approval of all leave;*
- *ensure payments related to leave, RRSP, holidays, vacation pay, and salary are accurate and in accordance with Corporation policy;*
- *establish a system for monitoring overtime; and*
- *obtain a certificate of conduct for all required employees.*

3. Tendering of Goods and Services

Overview

Whenever the Corporation acquires goods and services, it must comply with the requirements of the *Public Tender Act* (the *Act*) and the *Public Tender Regulations, 1998 (*the *Regulations).* Figure 6 summarizes the requirements of the *Act*.

Figure 6

Marble Mountain Development Corporation
***Public Tender Act* Requirements**

When goods and services cost …	Or a public work costs …	Then the Corporation must …
More than $10,000	More than $20,000	Invite tenders
$10,000 and less	$20,000 and less	• Obtain quotations from at least three legitimate suppliers, or • Establish for the circumstances a fair and reasonable price.

The *Act* provides exceptions where tenders may not be required. In such cases, the Corporation must inform the CEO of the Government Purchasing Agency who must submit a report to the House of Assembly.

In our sample of 17 purchases over $10,000 and a sample of 17 purchases under $10,000 we identified issues with the tendering of goods and services in the following areas:

A. Goods and services greater than $10,000
B. Goods and services $10,000 and less and under $20,000 for public works

3A. Goods and services greater than $10,000

Non-compliance with the *Public Tender Act*

Our review included a sample of 17 purchases greater than $10,000 totalling $909,216 for the period 1 May 2010 to 31 October 2011 to assess the Corporation's compliance with the *Act* and *Regulations*. Our review identified the following:

- six purchases totalling $119,295 were not tendered as required by the *Act*;

- one sole source purchase for a touch screen totalling $18,744 did not have the required Form B completed. Therefore, the Government Purchasing Agency was not notified as required and consequently the House of Assembly was not informed of this purchase;

- six purchases totalling $265,089 did not require tenders in accordance with the *Act*; and

- four purchases totalling $506,088 were tendered in accordance with the *Act*.

Figure 7 provides details of the 6 purchases not tendered.

Figure 7

Marble Mountain Development Corporation
Items not Tendered

Date	Amount (net of HST)	Description
2009-2014	$ 11,252	Lease on photocopier
2010-10-27	32,705	Two 2011 snowmobiles
2010 November	15,491	Ski Rental Equipment
2010-11-22	10,000	Fabrication and installation of boom mount
2010-12-14	24,358	Drainage pipes
March/September 2011	25,489	Work on beginners slope excavation; removal of existing T-Bar; installation of covert
Total	**$119,295**	

Issues with items tendered and not tendered

Our review identified the following issues with goods and services tendered and not tendered by the Corporation:

- Seven of the 17 purchases reviewed did not have receiving reports or an indication on invoices or purchase orders that goods or services were received. As a result, we could not determine from the payment documentation whether the goods or services were actually received.

- Eight of the 17 purchases reviewed did not have a purchase order (PO) issued. Of the remaining nine purchases for which a PO was issued, only one was approved.

- Three of the four tenders were opened by the Corporation without documenting who witnessed the opening. According to the *Regulations*, a tender may not be opened unless there are at least two witnesses present who are acceptable to the Government funded body opening the tender.

- The Corporation was approved by the Minister of Tourism, Culture and Recreation to advertise electronically in 2008; however, only one bid was received for each of the four tenders reviewed. The Government Purchasing Agency has a listing of Government funded bodies' websites on their website; however, the Corporation's website was not included. It would be beneficial to use the Government Purchasing Agency website to provide more opportunities to other potential bidders.

- One contractor was underpaid $452 including HST in July 2010. The invoice submitted by the contractor had an error in the tender price. This incident indicates that Corporation staff were not adequately reviewing invoices prior to payment.

  We also identified that the contractor did not provide proof of vehicle insurance and a letter of good standing with the Workplace Health, Safety and Compensation Commission for the second year of the contract (2010-11) as required by the Corporation.

- One contractor was paid a cash allowance of $27,500 including HST in February 2011 on a roofing contract totalling $335,180. Government does not allow cash allowances to be paid as an expense in contracts; therefore, this contractor was overpaid $27,500.

3B. Goods and services $10,000 and less and under $20,000 for public works

Our review included a sample of 17 purchases totalling $75,751 that were $10,000 and less or under $20,000 for public works for the period 1 May 2010 to 31 October 2011. Of these, 14 purchases totalling $65,906 did not have the required three quotes or documentation that a fair and reasonable price was obtained.

We also found that the Corporation did not prepare receiving reports for two purchases or indicate purchases were received on invoices or purchase orders. We found that only 8 of 17 purchases had purchase orders prepared and none were approved.

Recommendations

The Corporation should:

- *comply with the* Public Tender Act *and* Regulations; and

- *review its purchasing procedures to ensure that goods and services are approved and received.*

4. Monitoring of Expenditures

Overview

From our review of expenditures we identified issues in the following areas:

A. Travel and Relocation
B. Cell Phones
C. Other Issues

Details are as follows:

4A. Travel and Relocation

Introduction

The Corporation spent approximately $23,000 in travel expenses during the fiscal year ending 30 April 2011 and $9,600 from May 2011 to October 2011.

Our review of the Corporation's travel policies, 30 corporate credit card statements, and 33 travel claims for 10 employees and 1 Board member identified the following issues.

Travel expenses not consistent with Government Policy

The Corporation's rates for reimbursement for meals, mileage and incidentals were not consistent with Government rates. For example, the Corporation paid:

- $44 per day for meals within the Province and $49 per day for meals while travelling in another province, while Government's rate is $36.50 per day and $43 per day respectively;

- $6 for the daily incidental rate while Government's rate is $5; and

- employees for the use of a private vehicle at $0.3823 per kilometre; however, Government's rate varies depending on the quarterly price of fuel and ranged from 0.3470 per kilometre in May 2010 to $0.3684 per kilometre in June 2011.

Duplicate payments

The Corporation reimbursed staff for ineligible expenses related to duplicate payments totalling $535 and travel within the headquarters area totalling $83 as follows:

- One former management employee was reimbursed $394 for accommodations paid on behalf of another employee based on a hotel reservation printout; however, the employee subsequently claimed $296 in hotel expenses for the same accommodations.

- For 6 instances, employees claimed expenses for meals when they were within the headquarters area and not on travel status. One management employee claimed 4 meals totalling $57 from 2 May to 4 May 2011 and one union employee claimed two lunch meals totalling $26 from 2 May to 3 May 2011.

- One management employee charged three meals totalling $141 on a corporate credit card and also claimed meal allowances.

Controls over travel claims are not adequate

Our review of controls over the processing of travel claims identified the following weaknesses:

- Claims were not always supported with official receipts. For example: conference fees totalling $905 were only supported with a visa slip, entertainment expenses totalling $117 were only supported with a visa slip, a hotel bill totalling $718 was only supported with a hotel schedule, and a ferry expense totalling $263 was only supported with an itinerary.

- The Corporation was not recording HST paid on incidentals, meals, taxis, parking fees, conference fees and, as a result, was not obtaining a rebate on these costs.

- The Corporation did not use journey authorizations or other documentation to approve travel outside the Province.

Insufficient support for travel claims

Travel claims and corporate credit card expenses were not adequately reviewed to determine if all claims were eligible for reimbursement. For example, our review of travel claims identified the following issues with one manager's claims and corporate credit card bills as follows:

- We identified two trips to conferences in which the management employee claimed four extra days of expenses without any explanation noted on travel claims. The employee indicated that meetings regarding the Corporation were the reason for the extra days on travel status; however, this was not documented on the travel claim or approved through a journey authorization.

- We identified 6 instances covering 16 days where the Corporation paid travel expenses charged directly to a Corporation credit card; however, there were no travel claims to support why the expenses such as hotel, car rentals, meals, parking and gas were incurred and to document approval of the travel.

No relocation agreement

In October 2010, the Corporation paid approximately $21,900 for the relocation of a new management employee; however, the employee was not required to enter into a two-year return of service agreement which would be typical of Government relocation situations.

4B. Cell Phones

Introduction

From 1 May 2010 to 31 October 2011, the Corporation spent approximately $11,600 on cell phone communications. At 31 October 2011, the Corporation had 14 cell phones for its managers and general operations. The Corporation had cell phone policies and procedures in place since February 2009.

Insufficient monitoring of cell phone usage

Our review identified that the Corporation did not adequately monitor the usage and costs of cell phones. Details are as follows:

- There was no documentation that cell phone invoices were reviewed monthly by those issued phones as required by Corporation policy. Of the 61 invoices we reviewed, none showed any indication of review by the user of the cell phone.

- The Corporation has not analyzed its cell phone services to determine if cell phones were being properly utilized. Our review of four cell phones identified the following instances where cell phone plans were either exceeded or not warranted or usage was not appropriate:

  - One contractor used a cell phone during vacation in the United States costing the Corporation $161 in April 2010.

    We also found that the cell phone was not returned when the contract was ended for the summer. The contractor was not working for the Corporation during the months of June and July 2010. During this time, the usage on the phone cost $65 above the monthly plan, mostly charges for directory assistance. The contractor did not work for the Corporation during the months of July and August 2011, and the costs above the plan cost totalled $135 with total minutes of 2,232.

    In addition, the same contractor incurred cell phone costs of $287 for the period from 28 September 2010 to 27 October 2010 above plan cost but there was no review of this bill for personal cost.

  - One manager incurred cell phone costs of $129 for the period from 28 June 2011 to 27 July 2011 above plan cost but there was no review of this bill for personal cost**.** We identified that the employee was on vacation from 27 June to 19 July 2011 when the majority of the phone calls occurred.

  - One manager used a cell phone during vacation costing $24 above plan costs from 4 to 12 October 2010, without any review for personal costs.

4C. Other Issues

Our review identified other instances where expenditures and other Corporation activities were not appropriately incurred or adequately monitored.

Minutes not signed

Board minutes for the period January 2010 to October 2011 were not signed as approved by the Chairperson and Secretary. Without signed minutes, we could not determine whether the minutes reviewed were the official minutes of the Corporation's Board.

Board member extensions not approved by Lieutenant-Governor in Council

The terms for eight Board members expired May 2011 and, as of November 2011, no approval had been obtained from the Lieutenant-Governor in Council for an extension to the terms. Section 2 of the Corporation's by-laws and powers required the Lieutenant-Governor in Council to appoint members and Chairperson.

No approval to dispose of Corporation's documents

The Corporation's management staff authorized the shredding of 35 boxes of Corporation documents in May 2010 without the required approval from the Government Records Committee as required in the *Management of Information Act*. We also found that management staff did not document what was shredded.

No retirement gift policy

The Board has no policy on retirement gifts. We identified two gifts (watch – May 2010 and cell phone - August 2010) totalling $619, were given to a former manager for retiring in April 2010.

Electronic data not secured

The Corporation did not adequately secure its financial and other data. For example: back-up data was not stored off-site; the accounting software data was not archived at year end; there were no level of access limits to data stored on the server; there were no firewalls; and there was no internet usage policy. In addition, the adjusting entries of the external auditor were not recorded at year end.

Corporation's by-laws are not up-to-date

The amalgamation of the former Marble Mountain Management Corporation and former Marble Mountain Development Corporation in April 2007 required the current Corporation to use the by-laws from the former Marble Mountain Development Corporation. However, these by-laws, dated in 1988, have not been updated. For example: they record the Office of the Auditor General as the auditors, the Corporation's year end as 31 March, and the maximum number of board members as nine.

Entertainment expense not approved by the Board

We identified a staff function (a season-end party) in April 2011 at Marble's main lodge that cost approximately $1,200 which included taxis of $110, entertainment of $450 and food of $640 that was not approved by the Board.

Recommendations

The Corporation should:

- *adopt travel and relocation polices that are consistent with Government policy;*
- *review all claims for accuracy and compliance with policies;*
- *review its policies and procedures regarding cell phones and monitor cell phone usage;*
- *adhere to the* Management Information Act *for destroying documents; and*
- *update Corporation's by-laws.*

5. Buildings, Furniture and Equipment

Overview

As at 30 April 2011, the Corporation reported capital assets at a cost of $36 million. For the Corporation to control and monitor its capital assets, it must ensure that policies and procedures are documented and communicated to staff, and that assets are identified and recorded when purchased, periodically inventoried and reconciled to financial records. Figure 8 provides a summary of the Corporation's capital assets.

Figure 8

Marble Mountain Development Corporation
Tangible Capital Assets
As at 30 April
($000's)

	2010	2011
Area improvements	$12,288	$12,323
Buildings	10,654	10,982
Computer equipment	24	24
Equipment under capital lease	878	911
Furniture and fixtures	805	805
Lifts	5,001	4,999
Rental equipment	264	282
Signs	107	107
Vehicles	5,545	5,522
Total Capital Assets	**$35,566**	**$35,955**

Source: Audited Financial Statements

Introduction

Our review identified that capital assets were not adequately controlled and safeguarded as follows.

Procedures not documented

The Corporation did not document all of its procedures for the control of capital assets including proper recognition for financial statement purposes (ie. thresholds), safeguarding of assets, and write-downs.

The Corporation did not have a capital asset disposal policy. The Corporation did complete deletion of assets forms; however, the last time this was done was June 2009 for a keyboard which was transferred to storage area for disposal. Since this time, the Corporation indicated more capital assets were transferred to the storage area for disposal.

Assets not always tagged

The Corporation has not been tagging all of its capital assets. We identified capital assets such as snowmobiles (2), an all-terrain vehicle, snow guns (6) and radios (43) that were not tagged to identify them as Corporation property. Without unique identification, the Corporation cannot determine if all assets were recorded and accounted for.

Capital asset ledger not accurate and up-to-date

The Corporation did not maintain an accurate and up-to-date capital asset ledger. Our review identified assets that were no longer in use at the Corporation but were still recorded as assets on the financial statements. For example, disposed of snowmobiles costing $31,448 and obsolete/damaged ski rental equipment dating back to 2002 were not removed from the listing of capital assets. Also, the Corporation had recorded a tube park lift costing $9,582 since 2006 that was never owned by the Corporation.

The Corporation did record furniture and equipment on a spreadsheet including applicable serial numbers and tag numbers for the base lodge up to May 2009, and for outside operations and Marble Villa up to June 2001. However, these listings did not record all the capital assets and included items that were disposed of.

Periodic inventory counts not performed

There was no physical examination of capital assets since May 2009 to verify the existence of all furniture, equipment and computers within the base lodge buildings, and since June 2001 for items outside the lodge. Also, rental equipment such as skis and bindings, boots, poles, helmets, and snowboards were not properly documented for inventory at year end.

We selected a sample of 18 items from the most recent listing and found six items were moved since the last verification and two items were disposed of. We selected a sample of four items purchased during the year and only one was tagged and none were recorded on the listing of assets.

Recommendations

The Corporation should:

- *develop and document its procedures for the monitoring and control of capital assets;*
- *tag and record all capital assets in capital asset ledger;*
- *keep its capital asset ledger up-to-date; and*
- *physically verify the existence of its capital assets on a regular basis.*

Corporation's Response

Background:

- *Marble Mountain Resort is located near Steady Brook, in the Humber Valley in Western Newfoundland. The Marble Mountain Development Corporation (MMDC) was established as a "Non Profit Development Corporation" under the Corporations Act in 1988 to develop the Marble Mountain ski facility into a year round, full service resort. The Corporation's mandate has been to develop the resort so that it will act as a catalyst for tourism development both locally and in the province as a whole. Government's role has been to construct the initial critical mass infrastructure to attract private sector investment.*

- *It should be noted that MMDC's senior management team experienced unprecedented turnover in late 2010 and early 2011. This included the retirement of the long term General Manager as well as three successive individuals fulfilling the Finance and Administration Manager position.*

- *In 2011, an audit was undertaken by the Auditor General and identified issues relating to the Corporation's financial position; compensation practices; tendering of goods and services; travel, cell phones and other expenditures; and control over capital assets.*

- *MMDC's responses to the recommendations in the Auditor General's draft report are found below.*

Auditor General Recommendations and MMDC Responses:

1. Financial Position

Recommendations:

MMDC should:

- *Review financial operations to determine if more economical means are available for provision of services*
- *Review the outside services management contract and related payments*
- *Monitor fuel usage*
- *Ensure all employee benefits are recorded on employees' T-4s*

Response:

- *MMDC has been examining alternatives for reducing its dependency on its line of credit; however, given the limited cash flow and operational demands there are no foreseeable opportunities for reduction of this debt. In recent years the corporation has been committed to not adding to the current debt to ensure interest costs do not increase.*

- *Given MMDC's limited and cyclical cash flow, financing the Corporation's insurance premiums is the only option. The Corporation does not have the financial ability to pay the full insurance premiums in one payment.*

- *MMDC has determined that while incurring higher interest costs, leasing some equipment rather than purchasing is still financially and operationally beneficial as it allows for the trade-in of equipment when maintenance costs begin to increase significantly. MMDC will endeavor to review financial operations to determine if a more economical means is available for the provision of services.*

- *A management contract for outside operations has been awarded to the same company because of the expertise/skill-set required to perform the necessary duties, as well as the essential knowledge of the infrastructure required regulations and codes. MMDC believes the additional expenses of this outside contractor were reasonable and helped avoid incurring higher costs. MMDC will endeavour to review the outside services contract to confirm that it continues to be the most economical means of providing this service.*

- *MMDC agrees to set up a system to more effectively monitor its fuel usage.*

- *MMDC will ensure that all benefits are properly recorded on employees' T-4s.*

2. Compensation

Recommendations:

MMDC should:

- *Develop detailed policies related to the payment of commissions and allowances*
- *Review severance to determine whether the Corporation should comply with Government policy*
- *Establish procedures for the recording, review and approval of all leave*
- *Ensure payments related to leave, RRSP, holidays, vacation pay and salary are accurate and in accordance with Corporation policy*
- *Establish a system for monitoring overtime*
- *Obtain a certificate of conduct for all required employees*

Response:

- *MMDC recognizes the need for an overall review of its policies with a view to updating them to reflect current practice as well as developing new policies as required.*

- *MMDC's Board, in the absence of a policy, approved commission for the marketing position and a tool allowance for an employee, but recognizes the need for detailed policies related to the payment of commissions and allowances.*

- *MMDC's Board approved severance for some senior management employees but recognizes the need to develop a specific and consistent severance policy for MMDC.*

- *MMDC will implement standardized procedures for recording, reviewing and approving of leave.*

- *MMDC will review its procedures related to payment of leave, RRSP, holidays, vacation pay and salary to ensure they are in accordance with MMDC's policies.*

- *MMDC currently monitors overtime which is only worked with the pre-approval of department managers. Department managers authorize overtime through verbal communication with employees or by creating a schedule that indicates that overtime will be required. MMDC will endeavor to review its system of approving and monitoring overtime to identify potential areas for improvement.*

- *MMDC does have certificates of conduct for the most recently hired management employees. These documents were not in a paper file but were stored electronically. The only full-time employee for the Children's Activity Centre has provided a certificate of conduct. MMDC will obtain a certificate of conduct for all required employees.*

3. Tendering Goods and Services

Recommendations:

MMDC should:
- *Comply with the Public Tender Act and Regulations*
- *Review purchasing procedures to ensure that goods and services are approved and received*

Response:

- *MMDC endeavours, at all times, to comply with the Public Tender Act. Three of the specific exceptions noted in this report occurred because the contractor was the only supplier in the Province with the specific knowledge and expertise in the areas where the work was completed. In the future, MMDC will comply with the Public Tender Act and Regulations even in situations where there is a sole provider for goods or services.*

- *MMDC will endeavour to institute a more accurate documentation system for purchase order forms, vendor invoices and receipt of goods and services to clearly indicate the job and dates completed.*

4. Monitoring of Expenditures

Recommendations:

MMDC should:
- *Adopt travel and relocation policies that comply with Government policy*
- *Review all claims for accuracy and compliance with policies.*
- *Review policies and procedures regarding cell phones and monitor cell phone usage*
- *Adhere to the Management Information Act for destroying documents*
- *Update Corporation's by-laws*

Response:

MMDC acknowledges the issues outlined by the Auditor General.

- *MMDC's policy and procedures for reimbursing travel expenses have been in place for the past eight years. However, MMDC will review its current travel and relocation policies and update as necessary.*

- *MMDC will review all travel claims for accuracy and compliance with policies.*

- *MMDC will review its policies and procedures regarding cell phone usage. MMDC has a small specialized management team who often need to be contacted for day to day operation decisions, even while they are on leave. If MMDC expects its managers to be this accessible, the noted cell phone costs are deemed a reasonable expense.*

- *MMDC will create policies and procedures to ensure adherence to the Management Information Act for destroying documents.*

- *MMDC will endeavor to review and update its by-laws.*

5. Buildings, Furniture and Equipment

Recommendations:

MMDC should:
- *Develop and document its procedures for the monitoring and control of capital assets*
- *Tag and record all capital assets in capital asset ledger*
- *Keep its capital asset ledger up to date*
- *Physically verify the existence of its capital assets on a regular basis*

Response:

- *MMDC will review its existing procedures for the monitoring and control of capital assets to ensure they comply with its policy.*

- *MMDC will tag and record all capital assets in its capital asset ledger and keep the ledger up to date as per its policy.*

- *MMDC will physically verify the existence of its capital assets on a regular basis as outlined in its policy.*